

INFORMATION REPORT

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COUNTRY - Yugoslavia

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SUBJECT Economic Situation in Yugoslavia

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1. The economic crisis in Yugoslavia is growing increasingly acute as a result of the shortage of raw materials, the exhaustion of the Foreign Exchange fund and the ever-rising costs of administration and of the Army. The reduction of capital investments continues, while on the other hand every effort is being made by the Yugoslav Government to augment its foreign exchange holdings. In the latter connection a reorganization of the Ministry of Foreign Trade has recently been effected with the aim of promoting at all costs closer commercial and tourist relations with the Western countries. The appointment of Vladimir Velebit, previously president of the Committee of Tourism in the Federal Government, as Assistant Minister of Foreign Trade is to be regarded in this light.
2. The enormous costs of administration are being decreased as far as possible by the reduction of administrative machinery along with economic de-centralization. Reportedly, the entire central economic apparatus consisting of the Directorates and Administrations of federal enterprises is to be dissolved, and the management of state enterprises will be left to local authorities with a resulting large reduction in personnel.
3. These measures have led to a considerable growth in unemployment, and it is estimated that there are at present more than a half a million unemployed. The reduction of clerical and sedentary manpower which has been carried out during recent weeks was aimed simultaneously at eliminating the large number of unqualified workers with a view to transferring them to productive labor in industry and agriculture. In practice, however, the political commissars and UDB representatives in various offices used this operation as a means of getting rid of personnel suspect from a political point of view. The reduction of personnel has, therefore, had the opposite effect to that desired by increasing the proportion of non-qualified workers in the administration, thereby largely nullifying Government hopes of supplementing productive manpower. Pro-Cominform officials are believed to have played an important part in this sabotaging of the Government intentions. The resulting unemployment crisis has led to an official declaration of policy by the newly appointed Minister of Works, Veceslav Joljevac, in an attempt to bring home to the responsible subordinate UDB organs the necessity of revising their tactics.
4. The shortage of raw materials, which is having an increasingly paralyzing

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affect on industrial production, is further accentuated by the shortage of manpower in the mining industry and agriculture, and has given rise to a tendency in certain of the Peoples Republics, in particular Slovenia, Croatia and Macedonia, to adopt independent measures in their own interests leading to the creation of economic barriers within the country, thereby adding to the Federal Government's economic problems.

5. To cover the gap between the monetary fund and goods fund, i.e. supply of essential consumer goods, the Government has had to float a second national loan of three million dinars. This loan can be of no direct practical assistance to government finances in relation to the annual budget of 250 million dinars. It is designed as an expedient to offset the shortage of consumer goods until the new harvest, which will enable the Government to increase to a small extent the supply of food on sale at free market prices.
6. In pursuance of this policy, the newly formed Council for Trade and Supply, which has replaced the Ministry of Trade and Supply, has been directed to examine urgently the possibility of increasing the sale of drinks, by 200 to 300 percent (corresponding to a total turnover of 70 to 100 million dinars) by applying free prices in catering establishments. This measure, however, cannot be introduced until the latter part of 1950 after the new harvest.

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